

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7693**

**BILL NUMBER:** HB 1599

**DATE PREPARED:** Jan 29, 2001

**BILL AMENDED:**

**SUBJECT:** Personal Needs Allowance.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X

**GENERAL  
DEDICATED  
FEDERAL**

X

**IMPACT:** State

**Summary of Legislation:** This bill provides that certain elderly or disabled individuals who reside in a county home, room and board assistance facility, hospital, nursing facility, or community residential facility for the developmentally disabled (CRF/DD) are allowed a monthly personal allowance of \$65. The bill also requires the monthly personal allowance to be annually adjusted using the Consumer Price Index.

This bill also requires that an individual who is a recipient of assistance under the federal Supplemental Security Income (SSI) program who receives care in a hospital, nursing facility, or CRF/DD and whose income is less than the amount of the monthly personal allowance be paid the difference between the amount of the monthly personal allowance and the amount of SSI received by the individual.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** The total additional costs to the state from this bill are estimated to be \$3.98 M in FY 2002 and \$4.47 M in FY 2003.

Of the total impact, the additional cost to the State of increasing the personal needs allowance from \$50 per month to \$65 per month for the specified institutionalized individuals is about \$2.52 M for FY 2002 and \$2.93 M for FY 2003. The provision to pay recipients of SSI and Medicaid whose SSI assistance received is less than the personal needs allowance is estimated to cost an additional \$1.46 M in FY 2002 and \$1.54 M in FY 2003.

*Background:* Residents of nursing facilities, intermediate care facilities for the mentally retarded (ICFs/MR), and individuals receiving assistance through the Assistance to Residents of County Homes (ARCH) and Room and Board Assistance (RBA) programs are allowed a monthly personal needs allowance of \$50 for FY 2001. In the case of an RBA or ARCH recipient with no income, the State pays the recipient the personal needs allowance. This amount is not considered income to the individual in the determination of eligibility and is for the exclusive use of the recipient for personal needs.

Based on estimated numbers of Medicaid recipients in state-operated facilities, nursing facilities, CRF/DDs, and recipients of residential assistance in the ARCH and RBA programs (State funded programs with no Medicaid dollars), the total additional cost from increasing the personal needs allowance by \$15 per month (to a total of \$65) would be about \$6.14 M for FY 2002. This would represent about \$3.62 M in federal share and about \$2.52 M in state dollars. (This is based on estimated FY 2002 Medicaid Program cost shares of about 62% federal and 38% state. As part of the impact to the state, the cost of changing the personal needs allowance for the about 1,600 ARCH/RBA recipients is about \$298,000 and would be funded solely from state funds.)

The bill also requires the personal needs allowance to be adjusted annually by the rate of increase in the Consumer Price Index (CPI) for all Urban Consumers. The CPI has increased by an average of about 2.5% per year during the six years from 1994 through 2000. The change from 1999 to 2000 was about 3.4%. A 3% adjustment in the personal needs allowance would result in additional state expenditures over the current year of \$2.93 M. (This represents total expenditures of \$7.16 M and federal reimbursement of \$4.23 M.)

This estimate would be overstated to the extent that some individuals in the Medicaid Program would have zero income. Increasing the personal needs allowance for an individual with no income would not affect state costs.

In addition, this bill provides for a payment to individuals in nursing facilities who are recipients of SSI assistance, as well as assistance from Medicaid, to be paid the difference between the monthly personal needs allowance specified in the bill and the SSI assistance received by the individual. (SSI assistance received is assumed to mean the monthly amount retained by the SSI recipient in the institution.) SSI recipients currently are allowed to retain a personal needs allowance of \$30. This bill requires the state to pay the SSI recipient \$35 per month in FY 2002 (\$65 less \$30). These payments would come from state funds with no federal financial participation. The total cost is estimated to be \$1.46 M in FY 2002 and \$1.54 M in FY 2003.

**Explanation of State Revenues:** See Explanation of State Expenditures, above.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration.

**Local Agencies Affected:**

**Information Sources:** Kathy Gifford, OMPP, (317) 233-4455.